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TO RUEHC/SECSTATE WASHDC PRIORITY 8503
INFO RUEHRG/AMCONSUL RECIFE 6421
RUEHRI/AMCONSUL RIO DE JANEIRO 4095
RUEHSD/AMCONSUL SAO PAULO 9495
RUEHDE/IRAN RPO DUBAI
RUEHKB/AMEMBASSY BAKU 0002
RHEHNSC/NSC WASHDC
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RUEHCV/AMEMBASSY CARACAS 3651

C O N F I D E N T I A L BRASILIA 000544

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NSC FOR FEARS
STATE FOR EB/ESC AND NEA

E.O. 12958: DECL:03/26/17
TAGS: ETTC EPET EINV BR IR
SUBJECT: BRAZIL: PETROBRAS AND IRAN

REF: A) STATE 22311

B) 06 RIO 0445
C) 05 RIO 0615

Classified by Ambassador Clifford Sobel, reasons 1.4 (b) and (d).

¶1. (C) Summary: Drawing on ref A, the Ambassador raised USG concerns over potential Petrobras investments in oil and gas exploration in Iranian waters on the Caspian Sea with Energy Minister Silas Rondeau, Petrobras Southern Cone Manager Deccio Oddone and Foreign Ministry Under Secretary for Political Affairs Everton Vargas in a series of meetings March 25 and 26. These meetings followed up on an August 22, 2006 one-on-one conversation with Petrobras President Sergio Gabrielli in which the Ambassador made the same points. Our interlocutors acknowledged the seriousness of the issue to the international community and, although they did not say Petrobras would halt its Petrobras activities in Iran, they did make it clear that they understand the sensitivity of the political moment. Gabrielli also stated that Petrobras investments would not exceed Iran Sanctions Act limits over the next two years. End Summary.

¶2. (C) At an August 22, 2006 meeting with the Petrobras President and CEO Sergio Gabrielli (ref B) the Ambassador underscored with Gabrielli the importance of not investing in Iran, and particularly not at this moment, when Iran was defying the international community's efforts to stop uranium enrichment activities. Gabrielli responded that he understood the U.S. was exerting pressure on other countries, including Japan, to not proceed with significant investments in Iran at this time. He added that he understood that Japan had deferred its planned investment as a result. Gabrielli affirmed that Petrobras' investments in Iran over the next two years would not exceed the Iran Sanctions Act (ISA) ceiling. However, he emphasized that Petrobras believes it is important to build up a presence in Iran in hopes of improving its international position in the long-term trade. He expected any future investments to be focused on deep-water exploration and production, which were Petrobras' strengths. Gabrielli argued that were Petrobras or other major international energy companies not to invest, it would simply open the door for Chinese investment in Iran. The Ambassador closed the meeting by underscoring that, particularly with sanctions pending before the UNSC, it was important that the international community send a unified message to the Iranian regime by not pursuing investment in Iran.

¶3. (C) In a March 26, 2007 meeting, Minister of Mines and Energy

Silas Rondeau -- who sits on the Board of Directors of the partially privatized parastatal -- told the Ambassador that Petrobras and the GoB understood that this was a "cautious moment" for the international community with regard to Iran. While Petrobras believed it was in its interest to open up new investment horizons, he understood that the GoB must also take into account the concerns of its strategic partners as it proceeded, and the U.S. was still Brazil's biggest strategic partner.

¶4. (C) In separate meetings with Petrobras Southern Cone Director Oddone and Itamaraty Under Secretary for Political Affairs Vargas, the Ambassador was assured that Petrobras and the GoB, respectively, took seriously USG concerns over Iran.

SOBEL